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**FISCAL IMPACT STATEMENT**

**LS 7809**

**BILL NUMBER:** SB 543

**NOTE PREPARED:** Jan 16, 2007

**BILL AMENDED:**

**SUBJECT:** Residential rental property tax credit.

**FIRST AUTHOR:** Sen. Lanane

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides a property tax credit to owners of residential rental property in the amount of 10% of the residential rental property owner's property tax liability. It provides that the residential rental property tax credit is funded through the Property Tax Replacement Fund.

**Effective Date:** January 1, 2007 (retroactive).

**Explanation of State Expenditures:** Under this proposal, the owners of residential rental properties would receive a credit of 10% of the net tax liability on the rental property, after all other credits including the 2% circuit breaker are applied. This credit would first apply to taxes payable in CY 2008.

Residential rental property includes properties with up to four rental units. The available parcel-level data identifies single family residences and multi-family residences with up to four units. The data also discerns which of the single family homes are homesteads. However, the data cannot tell us which of the remaining non-homestead single family residences are rental homes. Some of these homes may be second homes. Some may have other non-rental uses. However, this analysis must assume that all of the non-homestead single family residences are rentals. This assumption produces a maximum credit estimate that will be higher than the actual credit amount.

Subject to appropriation and based on the parcel-level data and the stated assumptions above, the credit would cost an estimated \$74 M in CY 2008, \$77 M in CY 2009, and \$80 M in 2010. On a fiscal year basis, the credit would cost an estimated \$29 M in FY 2008, \$75 M in FY 2009, and \$78 M in 2010. The credit would be paid from the Property Tax Replacement Fund.

Taxpayers who wish to claim the credit would file a statement with the county auditor by June 10<sup>th</sup> of the first assessment year for which it would apply. The credit would remain in effect for each year that the credit is allowed. Taxpayers would have until June 10, 2007 to file the statement to be effective for taxes payable in CY 2008. County auditors would certify the assessed value qualified for the credit to the DLGF before April 1<sup>st</sup> of each year.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This credit would not affect local revenues.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County auditors.

**Information Sources:** Parcel-level auditor and assessor property tax data.

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